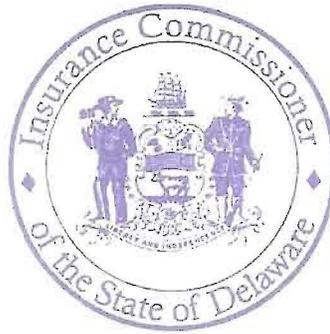


Matthew Denn
Insurance Commissioner



Department of Insurance
841 Silver Lake Blvd.
Dover, DE 19904-2465
(302) 674-7300
(302) 739-5280 fax

Domestic/Foreign Insurers Bulletin No. 33

2008 ANNUAL PREMIUM TAX AND FEES FILING PROCEDURES

BACKGROUND:

This four-part Bulletin has been issued to inform all insurance companies, including tax-exempt companies that pay annual fees, about important changes to annual premium tax and annual renewal filings. Specific information about premium tax and annual renewal filings can be found on the Department's website www.delawareinsurance.gov. Click the link on the left side of the home page labeled "Premium Taxes and Annual Renewals".

Part 1: USE OF OPTins PROGRAM STRONGLY ENCOURAGED

The Delaware Insurance Department has partnered with the National Association of Insurance Commissioners (NAIC) in the use of the *OPTins* (Online Premium Tax for Insurance) tax filing program. *OPTins* provides immediate, secure transmission and receipt of premium tax reports and payments. The Department strongly encourages all companies to use *OPTins* to electronically submit their Delaware premium tax forms and payments.

OPTins is a product of the NAIC, and has been developed to facilitate premium tax form submission and payments for quarterly and annual premium tax filings. *OPTins* can also be used by tax exempt companies to make annual renewal filings.

Instructions will be provided by the NAIC. You will simply log in, choose and upload the filing forms and submit the forms and payment online. No more paper checks, no more mailing or overnight delivery charges, no more printed forms – everything is electronic – and premium tax forms, along with payments, are available to the Insurance Department immediately upon submission by the company. There is a nominal fee to use the program but the savings in check and form printing and mailing, plus the peace of mind in knowing that the filing and payment is immediately received by the Department, make it worthwhile.

Payments are made via ACH debit. Companies that do not have procedures in place to allow ACH debit should discuss adapting their account restrictions with their banking institutions. There are methods available to provide for payment of specific tax payments using ACH debit through a program such as *OPTins*, while still maintaining the security of debit-blocking on accounts. Considering the prevalence among states of the use of this type of payment for

online tax filing, and the likelihood that use of OPT*ins* may become mandatory in the future, companies should make every effort to enable compliance for this annual tax filing.

Contact the NAIC OPT*ins* Help Desk at optinshelp@naic.org or 816-783-8990 with any questions and to implement OPT*ins*. There is a set up process at the NAIC which could take up to two weeks, so companies should get signed up as soon as possible.

Part 2: INSURANCE DEPARTMENT CLOSING BANK LOCKBOX OPERATIONS

The lockbox services that have been provided to the Delaware Insurance Department by National City Bank will cease operating effective December 31, 2008. Companies should NOT send any tax reports to either of the bank lockbox address that have been in effect for the past several years. The Department has decided that with the implementation of online tax filing through OPT*ins* and the availability of electronic funds transfer through that program, lockbox services will no longer be needed. Any company that is not able to utilize the OPT*ins* program should send their tax reports and payments to the Department's Dover address as follows:

Delaware Insurance Department
Attn: PREMIUM TAX SECTION
841 Silver lake Blvd.
Dover, DE 19904-2465

IMPORTANT: Tax reports should never be sent with annual statement filings. Annual statements are received at a different section of the Insurance Department and tax returns that are included with the annual statement will not be forwarded to the tax. Companies that include their premium tax returns with the annual statement will be subject to penalties for failure to file the premium tax return in a timely manner.

Part 3: AFFIDAVIT SIGNATURES FOR OPT*ins* ANNUAL TAX RETURNS

Delaware law requires that annual premium tax and fees reports be signed by the company's President and Secretary, or other responsible officer, and be notarized. However, because the reports submitted through OPT*ins* are electronically filed without being printed, there might be a problem getting the report signed. The Department has established three options for obtaining signatures for annual premium tax reports. Options 1 or 2 are preferred by the Department, but Option 3 is available if needed.

- Option 1. If the company has the capability, the OPT*ins* tax report may be digitally signed.
(preferred)
- Option 2. The Affidavit Section of the OPT*ins* tax report can be printed, signed and scanned to be saved and transmitted as part of the electronic tax filing through OPT*ins*.
(preferred)
- Option 3. The Department developed an OPT*ins* Participation Affidavit form to serve as attestation that the reports submitted electronically through OPT*ins* are complete and accurate. If this option is chosen, the OPT*ins* Participation Affidavit may be printed, signed and mailed to the Department at the time the OPT*ins* submission is made. This OPT*ins* Participation Affidavit must signed by the company officers whose names are entered in the affidavit section of the electronic report when submitted.

IMPORTANT: If using Option 3, the OPTins Participation Affidavit form must be received within 10 days after the OPTins submission date. If the form is received within the ten-day period, the tax filing will be deemed received as of the OPTins submission date. If the OPTins Participation Affidavit form is received after the ten-day period, the Department will not deem the tax filing received until the date the OPTins Participation Affidavit is received. In that case, the filing will be considered late and the company will be subject to penalties for failure to timely file.

Part 4: NOTICE REGARDING GUARANTY FUND CREDITS

There are no companies that have any guaranty fund premium tax offsets available to apply to calendar year 2008 annual premium tax.

It is the position of the Delaware Insurance Department that only payments to the Delaware Insurance Guaranty Association or the Delaware Life and Health Insurance Guaranty Association for **Class "C" assessments** are permitted to be applied as premium tax offsets. Payments for Class "A" and Class "B" assessments may not be applied as premium tax offsets.

No Class "C" assessment has been paid by any company since before calendar year 2001, therefore all available premium tax offsets for guaranty fund assessment payments have expired.

Date: December 16, 2008



MATTHEW DENN
Insurance Commissioner